

Lancaster City Council

Housing and Property:

Council Housing

RENT AND SERVICE CHARGE SETTING POLICY

March 2026

1. Introduction and Policy Objectives

1.1. This Rent and Service Charge Policy confirms the Council's position to rent and service charge setting as laid out within the Council's HRA budget report.

1.2. Rent is the main source of revenue for the Housing Revenue Account (HRA), paying for the management, maintenance, and modernisation of our existing homes.

1.3. Lancaster City Council (the Council) is dedicated to providing social and affordable housing options that are within the means of our residents¹.

1.4. In light of this commitment, the purpose of this policy confirms the Council's approach to rent setting which establishes a framework that ensures rental rates are set at a level that achieves the following objectives:

- Ensuring affordability for individuals in low-wage employment.
- Maintaining the financial sustainability of the Council.
- Generating a satisfactory economic return that enables the continued delivery of high-quality housing and maintenance services.
- Ensuring a consistent and effective demand for our housing units.
- Adhering to the regulatory requirements set forth by the Regulator of Social Housing ('the Regulator').
- That rent setting is fair, consistent and transparent for our tenants.
- Complying with all other relevant legislation applicable to social housing provision.

2. Scope

¹ See Lancaster District Tenancy Strategy for further details: www.lancaster.gov.uk/planning/housing-strategy/tenancy-strategy

2.1. This policy confirms how Lancaster City Council determines and collects rental fees and service charges for the housing properties under its ownership and management.

2.2. By law Lancaster City Council is obligated to periodically review council rents and ensure that the Housing Revenue Account (HRA) remains financially stable. The Council undertakes this on an annual basis through the HRA budget report.

2.3. The Council also reviews its service charges on an annual basis and will apply the new charges according to the relevant legal agreements. Notice will be given of the new services charges and from what date they will be charged from.

2.4. Where the Policy / approach refers to CPI (Consumer Price Index), this will be based on the CPI from the September of the preceeding year, unless otherwise stated.

2.5. The level of rent directly impacts the income generated for the HRA, which in turn influences the HRA Business Plan.

2.6. This policy applies to the following groups:

- Rented Residential Property
 - o General Needs Tenants
 - o Supported Housing Tenants including those within Independent Living
- Service Charges
- Garages owned by the HRA
- Commercial premises owned by the HRA

2.7. This policy does not cover:

- Special Provision Supported Housing
- Shared Ownership Properties
- Leasehold Properties (other than by way of service charges)
- Pitches rented, where the pitch holders provide their own mobile home.

3. Policy Background

3.1. Since 2001, rents for properties let at Social Rent (all of the rented homes in the Lancaster City Council Housing Revenue Account (HRA) at the time of publication) have been based on a formula set by the Government. This creates a 'formula rent' for each property, which takes account of the relative value of the property, relative local income

levels, and the size of the property. A principal aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.

3.2. In 2011, the government introduced Affordable Rent, which permits rents to be set at up to 80% of market rent (inclusive of service charges). The introduction of Affordable Rent was intended to fund the construction of more new homes at a sub-market rent. Landlords can only let new properties at Affordable Rent where certain conditions apply.

3.3. Government policy has also limited maximum annual changes in Social Rent and Affordable Rent levels. From April 2016, the Welfare Reform and Work Act 2016 required social landlords to reduce their rents by 1% each year for four years (the 'social rent reduction').

3.4. In October 2017, the Government announced its intention to set a rent regime for local authority landlords and housing associations that permits annual increases of Social Rents and Affordable Rents of up to CPI + 1% from 1 April 2020, for a period of at least five years. It did not override landlords' statutory obligation to complete the four-year social rent reduction as required by the Welfare Reform and Work Act 2016.

3.5. In the financial year 2023/24 the maximum rent increase was capped by the government at 7% for existing tenants, falling short of inflation which was running at 10.1% in September 2022 – the figure which would normally be set for the purpose of rent setting for the following April.

3.6. Over the summer of 2025 the government consulted on the implementation of rent convergence² on the basis of either £1 or £2 per week. The outcome of this was delayed until 28th January 2026, with the commitment from government being that rent convergence can be implemented from 2027 at £1pw, followed by £2pw from 2028 onwards.

3.7. For the financial year 2026/27, it was confirmed that the Council had the freedom to continue to increase rent by a maximum of CPI+1%, following the outcome of the Government's consultation process with the provision of a longer-term (10 year) settlement

3.8. The new policy recognises the need for a stable financial environment to support the delivery of new homes and it provides a degree of reassurance for future financial planning in the short term, as well as currently a future planned allowance for the council to recover the increases forgone in previous years.

3.9. The Regulator of Social Housing produces a Rent Standard which applies to all registered providers of social housing, including local authorities, outlining the above

² [How to implement Social Rent convergence - GOV.UK](#)

requirements. Compliance against this has been a requirement since 1st April 2020, alongside the Rent Policy Statement on Rents for Social Housing 2019 on the setting, increase and decrease of rents and service charges.

4. Relevant Legislation

- Housing Acts (1980, 1985, 1988 and 1996)
- Housing and Regeneration Act (2008)
- Landlord and Tenant Act (1985) (as amended by the Commonhold and Leasehold Reform Act 2002).
- Local Government and Housing Act (1989)
- Welfare Reform and Work Act (2016)
- Commonhold and Leasehold Reform Act (2002)
- Leasehold Reform (Ground Rent) Act (2022)
- Direction of the Rent Standard (2019)
- Rent Standard (2023)
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations (2016) (as amended in 2017)
- Regulator of Social Housing Rent Standard (2020 as amended and updated from time to time)
- Policy Statement on Rents for Social Housing (2022) – Hereafter ‘Rent Policy Statement’
- Limit on Annual Rent Increases (2023-24)
- Social Housing’s Regulatory Framework

5. Rent Setting

5.1. Social Rent

a. Lancaster City Council charges a Social Housing Rent for all properties. The Council recognises that Affordable Rent is available, but does not currently operate that model.

b. Rents will be determined using the prescribed government formula that considers various factors such as the property's condition, location, value, local earnings, and the number of bedrooms.

c. The formula for calculating social rents is as follows:

I. 30% of the rent is based on the relative value of the property.

II. 70% of the rent is based on the relative local earnings.

III. Additionally, smaller properties will have lower rents due to a bedroom factor.

d. Existing tenants' rents cannot be increased by more than the guidelines (currently CPI + 1%). On occasion cabinet members have decided to increase the rents by less than the maximum permitted, or not at all. Therefore, the Council has some properties with rents lower than the formula rent and particularly following the restriction on rent increases imposed in 2023/24.

5.2. When a socially rented property becomes vacant, the proposed rent will be recalculated based on the formula rent.

5.3. The rent will not change in the case of assignments, including mutual exchange, or in the case of successions (unless the successor moves to alternative accommodation). In these cases, the existing rent level will continue to be charged, until the next annual rent increase is applied.

5.4. The Government's Policy Statement on Rents for Social Housing recognises the need for discretion over rent levels to take into account local pressures. As a result, the policy allows the Council to use some flexibility in setting rents up to 5% above formula rent for general needs tenancies or 10% above formula rent for supported housing, including Independent Living.

5.5. All Council rents (even with added flexibility) sit well below the Local Housing Allocation (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit or through the housing element of Universal Credit. The Council estimates that around 80% of tenants are in receipt of some form of applicable benefit. In addition to this, those tenants who receive any proportion of help with their housing costs through Housing Benefit or Universal Credit should also have some entitlement to the Council's council tax support scheme.

5.6. If the number of bedrooms within a property change as a result of an extension or alteration to the property, a new formula rent will be determined based on a revised 1999 valuation of the property. However the new rent will only be charged to a new incoming tenant.

5.7. Commercial Rents:

I. Commercial rents (e.g. shops) will be valued by the Council's Property Services team based on The Royal Institute of Chartered Surveyors valuation methods.

II. Annual rent reviews will be in line with the relevant lease for the property.

5.8. Garage Rents:

I. Rent will be charged on a Monday over a 48-week year except when there are 53 Mondays in a financial year in which case it will be charged for 49 weeks of the year.

II. Garage rents will increase by CPI+1% in line with dwelling rents.

5.9. Service Charge setting:

I. 'Service charges' are for services which the Council, as a landlord, pay for the running of the building and area tenants live in. They are things such as lighting and cleaning shared areas or looking after the grounds and gardens around the building.

II. The Council will only charge for services detailed in the original legal agreement between The Council and the tenant/leaseholder, unless, either, agreements have subsequently been varied to include additional services or have been consulted and the majority affected agree to the change.

III. Where tenants have been consulted as in 5.9 (II) above, new chargeable services will not be introduced without consultation and the agreement of the majority of tenants affected. If more than one tenant requests a new, improved, or additional service, the views of all tenants affected by the request will be sought.

IV. Under sections 18-30 of the Landlord & Tenant Act 1985 (as amended by the Commonhold & Leasehold Reform Act 2002) there are statutory consultation processes that are required when a service charge is levied. The Council will ensure that statutory requirements are met.

V. Charges are apportioned in accordance with the terms of the lease agreement, or where the apportionment method is not defined, apportionment charges are distributed amongst the residents who benefit from the services for which a charge is being levied.

VI. We operate a fixed service charge regime for social rented homes and leasehold properties which is reviewed annually. As per the Social Housing Regulations the Council should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable. However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis.

VII. Service charges are based on actual costs from previous financial years, unless specified otherwise as part of a lease agreement.

VIII. Rent incorporates provisions for the maintenance and upkeep of the home as a result of fair wear and tear. The service charge/s will not include the cost of maintaining the fabric of the building including communal areas nor for insuring the building. The cost of this is met by the Council from rental income. Tenants will need to make arrangements for their own contents insurance and paying their service charge – although it is expected that the vast amount of this is Housing Benefit / Universal Credit applicable.

IX. Subject to lease terms, all costs including maintenance and upkeep of the fabric of the building for leaseholders will be re-charged through Service Charges. Service charges cover all communal services and building insurance. Leaseholders will need to make arrangements for their own contents insurance and paying their service charges.

X. All customers will be given at least four weeks' notice of their new service charges upon annual review.

XI. When new properties are acquired (without existing leases) or built, to which service chargeable services are provided, service charges will be based on an estimate of actual cost until the end of the first full year of provision. Charges for subsequent years will be based on the actual cost and where applicable adjustments incorporated. In the instance where leasehold properties are acquired, service charges will be limited by the lease agreement we acquire.

XII. Information on service charge costs and calculations will be available on request.

6. Rent Periods

6.1. The average weekly rent will be calculated based on the Council's annual rent cycle of 48 weeks in a 52-week financial year. Or 49 weeks in a 53-week financial year (4 rent free weeks a year).

6.2. Rent will be charged on a Monday, and tenancies will commence on a Monday.

7. Annual Rent Increases

7.1. The annual review of charges is an integral part of the budget setting process across the Council and subject to cabinet and full council approval.

7.2. Once agreed the new rent and charges are implemented on the first Monday of April.

7.3. The Council will give tenants 4 weeks written notice of any change in the level of rent which normally will be the first Monday in April and rent increases will be applied in line with Section 24 of the Housing Act 1985 and Sections 102-103 if the Housing Act 1985 where appropriate.

8. Void Rent

8.1. The period of time from when one tenancy ends and another commences is known as a 'Void' period. This means that no-one is effectively the 'tenant', and no rent is due on the property during that time.

8.2. For business purposes void rent loss should continue at the last let rent. Where this rent figure is below formula rent this will be increased to formula rent plus flexibility on the next new letting unless the Council is otherwise excluded from doing so.

9. Review and Update

9.1. This policy will be reviewed every three years or sooner to address any legislative or regulatory changes. Or in response to any operational issues.

9.2. The Council Housing Manager, and Finance will be responsible for ensuring the implementation of this policy.